

UNC-DCRP Best Master's Project of 2006

Inequality in the Creative City

Mary Donegan, MRP 2006

In keeping with tradition, Carolina Planning is proud to present here an adaptation of the Department of City & Regional Planning's 2006 Best Master's Project, written by Ph.D. student Mary Donegan. In her award-winning article, Donegan critiques Richard Florida's popular "Creative Class" theory for central city revitalization, the trendy notion that cities need to attract highly educated, young, white-collar workers for information-age, "creative" professions by catering specifically to the needs of these up-scale professionals. Despite some notable successes in urban revitalization, the creative class approach inherently produces a sharp increase in income inequality. Donegan's article explains the reasons behind such inequality and proposes several city-level policies to address this problem. These proposals include the following: living wage campaigns; unionization efforts among service workers; and the use of immigrant work centers to better integrate immigrants into a city's legal labor market.

Richard Florida's book, *The Rise of the Creative Class*, has captured the imaginations of economic developers, businessmen, and urban dwellers alike. Florida's thesis is that the role of place is changing as the American economy transitions from traditional industry to high-tech, advanced services. Whereas people once followed jobs in traditional industries, jobs now follow mobile, creative people—people who increasingly base their locational decisions not on job opportunities, but on the urban amenities and cultural environment of a city. Florida argues that the economic prosperity of a city is not based solely on traditional economic development strategies, but is, instead, based largely on the city's success in attracting and retaining creative people, who in turn drive the economy (Florida, 2002).

Florida's idea has proven to be infectious: chasing the creative class has replaced cluster theory as today's ubiquitous economic development strategy. Cities across the globe have latched onto his creative roadmap, trans-

forming old factories into swanky loft spaces, opening trendy coffee shops, and promoting local art galleries, all in an effort to please the fickle creative class.

Yet with all the hype surrounding the creative class strategy, a potentially troubling side effect has emerged: inequality. Florida himself acknowledges this as an unfortunate, yet seemingly unavoidable side-effect of the creative class. According to Florida and his collaborator, Kevin Stolarick, a strong correlation exists between the presence of the creative class in metropolitan areas and income inequality. Cities that rank high on Florida's "Creativity Index" also rank high on the "Inequality Index," a measure of occupational income premiums created by Stolarick (Florida 2002, 2005; Stolarick, 2003).

Mary Donegan is a graduate student at the Department of City and Regional Planning at UNC-Chapel Hill. She is interested in regional economic development, labor markets, and inequality.

This correlation between the creative class and income inequality presents a dilemma for cities seeking to follow Florida's strategies—is it possible to follow a creative class strategy of development without accepting inequality as an unavoidable side-effect? In this paper, I argue that, while inequality is undoubtedly a complex phenomenon—one that is increasingly garnering attention in the national media—there are very real policies that local governments can and should enact in an effort to reduce inequality. Furthermore, I argue that these policies can be adopted without abandoning Florida's core economic development strategies.¹

INEQUALITY AND THE CREATIVE CLASS

Just one year after the release of *The Rise of the Creative Class*, Kevin Stolarick created the Inequality Index to measure the relationship between inequality and the creative class by capturing the occupational pay ratio between the creative class and the noncreative classes. In a piece released by Florida's consulting arm, Stolarick announced that this Index reveals a relationship between being a creative city and having an unequal workforce, proclaiming that, "inequality goes hand and hand with being a cutting-edge, technologically innovative, creative region" (Stolarick, 2003). The higher the creative class percentage of the workforce (the creative class being the "economic base" of Florida's new creative economy), the more the creative class earns per year relative to the noncreative classes.

According to Florida and Stolarick, this correlation reflects the fact that the creative class "outsources" much of the low-skill service activity, generating a creative-noncreative division of labor (Florida, 2002; Stolarick, 2003). Florida and Stolarick maintain that the strong relationship between the creative class and inequality is due to the hectic lifestyle of the creative class, which is comprised of busy people who have neither the time nor the inclination to perform life's daily chores. Instead, the creative class relies on an "army of 'servants'" to

cater to their everyday needs (Stolarick, 2003). Both Stolarick and Florida reason that it is this "massive functional division of human labor [that produces] the bulk of our income divide" (Stolarick, 2003).

Yet a simple division of labor does little to explain exactly why the two groups are earning such unequal wages—that is, it does little to explain the actual roots of inequality in the creative city. Labor economists and sociologists have pointed to a myriad of explanations that could help answer the question of what causes inequality. These factors include: skill-biased technical change in the workplace; differing levels of human capital; de-industrialization and the resultant decline in manufacturing employment; rising levels of immigration; de-unionization; and a declining minimum wage. Levy and Murnane (1992) provide a thorough overview of many of these factors; Acemoglu (2001), Borjas, Katz, and Freeman (1997), Card (2001), Cline (2001), Dinardo, Fortin and Lemieux (1996), Fortin and Lemieux (1997), Osterman (1999), Reed (2001), Sassen-Koob, (1984), Topel (1994), and Wood (1995) provide additional background information in these areas and were instrumental in the development of my theoretical approach.

Yet while Florida has paid increasing attention to the issue of inequality (Florida 2005, 2006), he provides few workable policy solutions to the issue, short of suggesting that the creative class should, "...[offer] those in the other classes a tangible vision of ways to improve their own positions, either by becoming part of the Creative Economy or coexisting with it..." (Florida, 2002). More recently, Florida has suggested looking to companies like Whole Foods and Best Buy as models for high-wage service jobs, but he again does little to suggest exactly how other low-skill service companies can learn from them (Florida 2006).

In the remaining sections of this paper, I will focus on two policies that can be used to limit inequality in the

creative city. The first is to push for higher statewide minimum wages, through coalitions built around local living wage campaigns. The second is to work with immigrant “work centers” and organized labor unions towards the goal of integrating immigrants into local labor market institutions.²

Policy: Higher State Minimum Wages and well-structured “Living Wages”

Based on the statistical findings presented by Donegan (2006), it is clear that metropolitan areas in states with a minimum wage higher than the federal minimum have lower levels of creative-noncreative inequality, suggesting that regions should pursue a policy of higher state minimum wages to decrease inequality. Unfortunately, outside of pushing state representatives for higher minimum wages, this might give the impression that local actors—the very people promoting Florida’s strategies—have few policy avenues to pursue in this area.

The opposite is true, however: a living wage campaign may represent an alternative policy route, one that is complementary to pushing for higher state minimum wages. A living wage is a wage rate, established by local legislation, which is set above the prevailing minimum wage in an area. Living wages differ from state minimum wages in that state minimum wages typically apply to all companies, whereas local living wages are usually limited to either government contractors, businesses seeking public assistance, and/or social service providers. Relative to either state or federal minimum wages, therefore, living wages reach far fewer low-wage workers; Brenner estimates that living wages reach less than one percent of workers in cities that have implemented them (Brenner, 2004). While many economists point to the potentially damaging effects of living wages on the local economy and workers—examples include reduced employment, firm relocation, and decreased city bids—case studies of living wage laws have not in fact found these adverse consequences.³

Two aspects of the living wage ordinance are critical in the development of an eventual statewide minimum wage that can successfully meet the goal of reducing inequality.⁴ The first is the structure of the living wage legislation, which determines both the scale of the coverage and the enforcement for violators. The second is the makeup and involvement of the coalition that pushes for the living wage. This is critical for the success of the ordinance’s passage, the ability to withstand intense anti-living wage pressure, the success of compliance and enforcement, and the likelihood of any possible future expansion in coverage.

Legislation

In terms of legislation, the broader the number of affected industries, the more workers that will benefit from the living wage, and the greater its overall benefit. City or county governments are often large and disjointed, and mandating that workers across all departments and divisions are covered is essential, not only because it will ensure that as many workers as possible are covered, but because it will limit the amount of cross-departmental shifting that can occur in order to avoid the living wage.

It is important to note, however, that the living wage will never reach these workers if the municipality does not enforce it, making enforcement a critical piece of the legislation. The legislation must include budgets for city oversight of the living wage ordinance, and clear punishments for companies who do not follow it (Luce, 2005). Successful living wage legislation should also include provisions for educating workers about their rights under the new living wage law, and protections for whistleblowers who report companies that are not paying the living wage, so that workers who are getting paid below the wage are willing and able to report these violations. (Zabin and Martin, 1999).

Coalition

The coalition that works towards living wage legisla-

tion is critical to determining its ultimate success, since a living wage that has been developed with input from a broad-based, strong coalition is more likely to have a broader scope, and is more likely to include legislation for enforcement (Luce, 2005). Ideally, a living wage campaign coalition would involve the participation of labor, religious, community, and political groups (Bernstein, 2005; Zabin and Martin, 1999). This broad coalition would be able to achieve a hegemonic critical mass that would be better able to rally the support of voters or officials to pass the living wage legislation.

Ultimately, the ability to influence inequality rests on the ability to implement a state-wide minimum wage. It is here that the coalition involved in building support for the living wage is crucial. A good example of how living wage campaigns have the potential to flow upwards from the local level to exact state-level change is in Michigan, which recently passed a statewide minimum wage that will reach \$7.40 an hour by 2008. Michigan has some of the oldest living wage laws in the country, initially beginning in cities and gradually expanding to include counties. More recently, a statewide minimum wage increase proved enormously successful, overwhelming initial opposition by the Republican-led state legislature after a petition drive to put the minimum wage on the November ballot collected over 150,000 signatures in the state, and appeared poised to roll to victory at the polls that November (ACORN, 2006). In the face of imminent defeat at the polls, the Republican-led legislature relented from their opposition and passed a minimum wage law in the month before the election.

The successful petition drive to put the issue on the ballot was led by the Association for Community Organization for Reform Now (ACORN),⁵ the Michigan Democratic Party, labor organizations, and community and faith-based organizations. An economic justice organization was also instrumental in the campaign, as living wages are fast becoming contested terrain, and

increasingly require legal assistance to both write laws and hold off anti-living wage legal assaults (ACORN, 2006). To my knowledge, no formal case study of Michigan's recent successful effort to increase the minimum wage exists; the strategies used in Michigan and similar states around the country—from Arkansas to Maine—are clearly areas that need further research. Moreover, the momentum built over the prior decade through local organizing and victorious living wage campaigns proved instrumental in leading to the increase in the state minimum wage; this provides a clear example of the power of local action.

To some, implementing a living wage may seem like a small step in reducing inequality, since it reaches so few workers. For example, San Jose, California currently has one of the highest living wages, but occupies the highest position on Florida's inequality index, demonstrating all too clearly that living wages are not a panacea. Yet, as the Michigan example shows, the passage of a living wage supported by a grassroots coalition is more than just a living wage: it is a step towards forming effective coalitions that can work towards achieving larger, state-wide goals that also address issues of inequality.

In addition to focusing on increasing state (or even federal) minimum wages, successful coalitions can turn their attention to the future by focusing on expanding the local living wage to more sectors. In doing so, they can direct their attention to workplaces or sectors that are strategic targets for unionization (Zabin and Martin, 1999). Additionally, the living wage coalitions can be critical in uniting immigrants with non-immigrant groups, a strategy that is critical for our second policy. The passage of local living wages, in conjunction with labor and immigrant movements, may indirectly lead to large-scale reductions in local inequality.

Policy: Integrate Immigrants into Community Groups, Educational Programs

A second set of results from the regression models in Donegan (2006) reveals that MSAs with higher numbers of immigrants have higher inequality between creative and noncreative workers, pointing to another policy issue. While some may interpret this result as a call to expel immigrants from the country, this would be misguided; it is the structure of the economy, with its emphasis on low-cost and often informal subcontracting under poorly-enforced labor laws that links immigrant labor to inequality. The answer then is not to expel immigrants, but to further pull them into the formal American economy.

It can be tricky to involve immigrants in the formal labor market—especially if they are undocumented—but it is not impossible. Janice Fine has documented the emergence of a new form of immigrant labor market institution: the worker center, which is a “community-based mediating institution that provide[s] support to low-wage workers,” and where “...advocacy and organizing activities are the priority” (Fine, 2006). Though originally formed by blacks in the American South to combat institutionalized racism, worker centers are now identified more with immigrant labor, which fill almost 80% of worker center organizations.

Along side these efforts, organized labor unions also have a significant contributing role to play in integrating immigrants in the mainstream labor market, especially in linking with immigrant work centers. This is not the case, however. Mirroring the negligible levels of union engagement with this issue in North Carolina, very few immigrant work centers throughout the country have strong, ongoing relationships with unions. Of the working centers researched by Fine, only 15% had a strong, working relationship with unions. An impressive 82% percent had only “occasional partnerships,” while 3% had no partnerships at all with unions (Fine, 2006). Fine relates that immigrant work centers complained of having workplaces that wanted to organize, but that they failed to find a union to help them do so

(Fine, 2006). When workplaces and unions did work together, they were not always successful at unionizing a firm—or of even getting to that late stage in the unionization process.

The lack of interaction between unions and immigrant work centers is a serious, but not an entirely surprising, concern. Unions and immigrants have had a volatile past; unions have traditionally viewed immigrants as threatening (since immigrants often work in the same sectors as unionized workers, though through informal arrangements and for very low wages), even though in the long-term immigrants could grow the ranks of union members (Briggs, 1998). This tension between the short-term and the long-term roles of immigrants has led to strains between immigrant groups and unions.

By not working with immigrant centers, however, unions may be limiting their long-term ability to protect the economic well being of the less-educated and less-skilled American worker. In an era when union membership is declining, this is a troubling sign that unions are still unable to work effectively with immigrants, but one that is not entirely surprising. Fine relates that there is a “dramatic culture clash” that occurs between unions and immigrant activists at the worker centers. Immigrants at work centers claim that unions are “top-down, undemocratic, and disconnected from the community;” unions claim that immigrants are unfamiliar with unionization laws, and are unrealistic about the time and efforts that are required to win a union drive (Fine, 2006). If the immigrant worker centers and labor organizations are involved as part of a broader coalition in a living wage campaign, however, these cultural “clashes” can be avoided: the living wage campaign could act as a “getting to know you” period, where the unions and immigrant work centers could learn each other’s norms and cultures.

There are working models that show how success can be accomplished. In Lowell, Massachusetts, the com-

munity group Coalition for a Better Acre (CBA), comprised of immigrants and minorities from one of Lowell's poorest and oldest immigrant neighborhoods (the Acre, with a poverty rate of over 40%), acted in conjunction with local unions, the University of Massachusetts-Lowell (UMASS-Lowell), the Cambodian Mutual Assistance Association, and the Environmental Protection Agency (EPA) to integrate their residents into Lowell's process of redeveloping local brownfields. This was no small task; Lowell, the birthplace of America's textile industry, has one of the highest concentrations of brownfields in the United States, and most of these brownfields are in financially poor, ethnic, and minority communities.

One of the first and most ambitious steps in Lowell's redevelopment was the construction of a ballpark and a hockey arena to house the city's minor league baseball and hockey teams (among other projects, including building new housing and grocery stores on brownfields in the low-income neighborhoods). Rather than simply hire outside contractors or rely on cheap, unskilled labor in facilitating redevelopment, the CBA and the EPA worked together with local Boston unions and UMASS-Lowell to train Acre residents in high-paying, high-skill environmental testing and construction jobs. Workers in the program were placed in apprenticeship programs with the local unions, ensuring that they would have a good chance of receiving long-term union jobs after the program's completion. In the end, Lowell's program brought good-quality jobs to some of Lowell's poorest residents, and integrated a long-standing immigrant community into the city redevelopment process (United States Environmental Protection Agency, 2002; National Institute of Environmental Health Services, 2000).

In terms of policy solutions, it is important to note that the local government in Lowell acted as the facilitator between the union and immigrant workers, bringing the two together with EPA funding. In fact, the City of Lowell mandates that 30% of workers on brown-

field remediation sites be local, further emphasizing the leading role of local labor in ensuring local economic development from redevelopment strategies (United States Environmental Protection Agency, 2002). The relevant players in Lowell recognized similar advantages to working together: the city recognized long-term economic development opportunities in the immigrant neighborhoods; the unions gained future well-trained members; and the immigrants were given the opportunity to further integrate into the unions and city development process, resulting in greater economic opportunities.

The Lowell case is underscored by the fact that the city has been following a creative class strategy, actively luring artists and bohemians away from overpriced lofts and apartments in Cambridge and Boston to lofts, apartments, restaurants, galleries, and shops that fill the city's newly renovated mills along its canals and river (City of Lowell, 2006; Galvin, 2006). Indeed, it is the creative class strategy that has led Lowell to clean up its brownfields and redevelop its mills (Galvin, 2006). Clearly, creative redevelopment can involve both unions and immigrant communities while achieving joint benefits for all; as this case evidences, it is clearly possible to have "creative class trickle down" through the active leadership of community, immigrant, and labor organizations.

Conclusion

Whether economic developers and academics approve of the creative class strategy or not, it is here to stay—at least until the next hot development strategy comes along. Considering the popularity of this theory, the striking overlap between being a creative city and being an unequal city is troubling—not only for ethical and political concerns, but also because it could have severe implications for the long-term sustainability of the economy.

Policymakers and activists in regions following a creative class strategy can and should take steps to ensure that the inequality associated with Florida's creative class is kept at bay. As cities adopt ever-popular creative class strategies, the adverse consequence of inequality must be considered and addressed. Local policymakers must remove their blinders and confront the side-effects of inequality head on.

Through the policies proposed above, I have sought to answer the question: is it possible to become a creative center while staving off the adverse consequence of inequality? The answer, I propose, is yes. Broad-based coalitions comprised of faith-based, immigrant, labor, and political groups must work together—and with policymakers—to push for local living wages and the integration of immigrant groups into the labor market. While the actual policies implemented in each city may be different, city officials must consider creative strategies to reduce inequality as they work to implement “creative class” strategies to spur the economy.

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Endnotes

¹ In this paper, I will not address the efficacy of Florida's creative class strategy in generating economic growth or development; see Rausch and Negrey (2006) for a recent assessment.

² These policies are an outgrowth of earlier regression models in Donegan (2006) that tested the relationship between both Florida's Creative Class Index and traditional causal variables of inequality, and a dependent variable

of Stolarick's Inequality Index, in US metropolitan areas (MSAs). While the models are cross-sectional and cannot fully address causality, they provide a series of insights, several of which I considered useful for potential policies. First, there is a significant positive relationship between the creative class and inequality. Second, MSAs in states with higher minimum wages and high unionization levels have significantly lower levels of inequality, while MSAs with a high immigrant population had significantly higher levels of inequality. Third, there is a significant, positive relationship between skill-biased technical change and inequality. This could indicate that the benefits of the “new economy” may not be reaching all levels of employment—a suggestion that has been made by numerous economists (see, for example, Dew-Becker and Gordon, 2005). Policies must therefore focus on reducing the impact of technical change on less-skilled workers. Each of the policies presented in this paper seeks to accomplish this by improving the economic position of less-skilled workers, and each, therefore, indirectly addresses the role of skill-biased technical change in inequality.

³ See Benner (2004) for a discussion of this.

⁴ To date, very few robust statistical studies have been conducted on the effects of living wages on raising the economic position of low-wage workers (and thus reducing inequality) in part because national data sets have limitations that preclude their use in living wage models. See Bernstein (2005) and Brenner (2004) for discussion about these methodological constraints.

⁵ ACORN is an international group of community organizations that is at the forefront of living wage organizing.

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